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Head Office

Box 248 - Terminal A
TORONTO - ONTARIO

CANADA
MALTING CO.
LIMITED



REPORT TO
SHAREHOLDERS

Malthouses and Elevators

Montreal, Que. Winnipeg, Man.
Toronto, Ont. Calgary, Alta.
Thunder Bay, Ont.

For the Six months
ended June 30, 1974

**CANADA MALTING CO.
LIMITED**

TO OUR SHAREHOLDERS:

Consolidated earnings for the six months ended June 30, 1974, showed an increase of \$100,655 over the corresponding period last year. Increased operating costs, together with substantially greater interest charges due to higher barley prices, continue to have an adverse effect on profits, which are not commensurate with the record volume of malt shipped during the period. Total sales revenue of \$53,862,537 as compared with \$27,631,313 last year reflects the increase in barley prices.

Our associate company, Hugh Baird & Sons Limited, report net profits for the six months to 31st January, 1974, of approximately \$330,000 compared with \$180,000 for the same period last year. Earnings of our subsidiary, Leaver Mushrooms Co. Limited, are lower due to increased production costs and competition from imports.

With the additional production facilities at Calgary now in full operation, it is necessary to increase the storage capacity in order to ensure our supplies of quality malting barley. Work has therefore commenced on an extension to the existing elevator, at an estimated cost of 2.2 million dollars.

Negotiations are still continuing with the Federal Government, with a view to obtaining proper compensation for our expropriated plant and offices at Toronto, Bathurst Street.

On behalf of the Board,

Harry F. Graesser,
President.

TORONTO, ONT.
July 31, 1974.

Consolidated Earnings for the Six Months ended June 30, (unaudited)

	<u>1974</u>	<u>1973</u>
Net Sales	\$53,862,537	\$27,631,313
Cost and expenses:		
Cost of products sold and all expenses except items shown below:	48,823,386	23,623,732
Interest on debentures	37,501	42,323
Bank and other interest	1,189,921	318,992
Provision for depreciation	942,180	874,602
Amortization of leasehold interests	8,616	21,781
Provision for income taxes	1,313,500	1,274,800
	<u>52,315,104</u>	<u>26,156,230</u>
Earnings from operations	1,547,433	1,475,083
Dividend income	17,439	20,963
Earnings before minority interest	1,564,872	1,496,046
Minority interest in earnings of subsidiary	32,788	64,617
Net earnings for the period	<u>\$ 1,532,084</u>	<u>\$ 1,431,429</u>
Earnings per share	1.77	1.66
Earnings per share after preferred dividends	—	1.58

Source and Application of Funds for the Six Months ended June 30

	<u>1974</u>	<u>1973</u>
Source of funds:		
Net earnings	\$ 1,532,084	\$ 1,431,429
Charges against earnings not affecting cash outlay —		
Provision for depreciation	942,180	874,602
Amortization of leasehold interests	8,616	21,781
Deferred income taxes	274,500	271,000
Minority interest in earnings of subsidiary	32,788	64,617
Funds provided from operations	<u>\$ 2,790,168</u>	<u>\$ 2,663,429</u>
Mortgage on Purchase of Property	200,000	—
	<u>\$ 2,990,168</u>	<u>\$ 2,663,429</u>
Application of funds:		
Additions to fixed assets (net)	\$ 1,824,873	\$ 2,264,467
Dividends on Series B preferred shares	—	167,910
Dividends on common shares	592,873	561,527
Tax paid on undistributed income	11,847	—
Redemption of Series B preferred shares	—	2,238,794
	<u>2,429,593</u>	<u>5,232,698</u>
Resulting in an increase (decrease) in working capital of	560,575	(2,569,269)
Working capital at January 1	<u>12,840,139</u>	<u>9,556,840</u>
Working capital at June 30	<u>\$13,400,714</u>	<u>\$ 6,987,571</u>